



Penalty Enhancements: Demand Response, Investigation, and Tolling (PEDRIT) Straw Proposal

March 28, 2024

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Investigation, and Tolling
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1. Executive Summary

The 2023-2025 Policy Initiatives Roadmap¹, as presented to the ISO Board of Governors and the Western Energy Imbalance Market in May 2023, included “Rules of Conduct Changes to Address Metering Penalty Issues” as a topic. In response to internal and external input, the ISO expanded the scope to create the “Rules of Conduct Enhancements” (ROCE) initiative. The ISO is launching the “Penalty Enhancements: Demand Response, Investigation, and Tolling” (PEDRIT) initiative as a follow-up to address additional topics identified in the ROCE initiative.

ROCE focused on meter data penalties, with three additional procedural topics.² On September 20, 2023, the ISO Board of Governors and the Western Energy Imbalance Market Governing Body approved the initiative enhancements. The ISO filed the proposed ROCE tariff amendments with FERC on January 12, 2024. On March 22, 2024, the ISO received a letter order from FERC accepting the proposed tariff amendments.³ The ISO plans to implement the changes on April 1, 2024.

PEDRIT proposes to:

1. Set the due date for demand response (DR) monitoring data⁴ submission as 52 business days after the trade date (T+52B).⁵ Data submitted after the deadline would be penalized at \$1000 per trading day per scheduling coordinator identification code (SCID). Data missing past 214 business days after the trade date (T+214B) would be penalized an additional \$3000 per trading day per SCID, yielding a total penalty of \$4000 for the trading day.
2. Remove upfront payment from the FERC penalty tolling process. Instead, provide penalized entities 30 days to appeal to FERC and provide the FERC filing docket number to the ISO before penalty collection.
3. Simplify and shorten the Rules of Conduct investigative process from three letters to two, and designate scheduling coordinators as the investigative point-of-contact.⁶
4. Discuss potential inaccurate meter data materiality threshold or first-time waiver.

The ISO plans to present the final PEDRIT proposal to the WEIM Governing Body and ISO Board of Governors for a decision on September 26, 2024. Each chapter in this straw proposal is informed by stakeholder input received at the June 7, 2023, workshop and ten subsequent sets of written comments submitted through June 20, 2023. Stakeholders are encouraged to provide feedback on this straw proposal at the April 3, 2024, stakeholder meeting and via written comments due April 19, 2024.

¹ [Final 2023-2025 Policy Initiatives Roadmap](#)

² The three procedural topics were clarifying eligibility for penalty distribution, eliminating the annual penalty distribution FERC filing, and clarifying application of market adjustment provision in the context of WEIM entities.

³ [Letter Order Accepting Rules of Conduct Enhancements Phase 1 Tariff Amendment](#)

⁴ DR monitoring data includes underlying load data for customer load baseline, actual load data for treatment group comparison, and calculated customer load baseline values for performance. [BPM for DR, Appendix B](#)

⁵ “T” refers to trade date, e.g. T+52B is the trade date + 52 business days

⁶ The three letters sent in the investigative process are the Notice of Review, Results of Review, and Description of Penalty. The ISO proposes merging the Results of Review and Description of Penalty.

2. Initiative Background

The ISO Rules of Conduct are guiding principles for ISO market participants and are intended to provide fair notice to market participants of expected conduct; foster an environment in which all parties may participate in the market on a fair and equal basis; redress instances of market manipulation and anticompetitive behavior; and increase the confidence of market participants, ratepayers, and the general public in the proper functioning of the ISO markets.⁷

The ISO tariff establishes data submission deadlines and informational requirements to support market administration and timely market settlement. In the event of non-compliance, the ISO investigates and administers prescribed sanctions for pre-determined objective violations of the Rules of Conduct. Ultimate authority surrounding the Rules of Conduct, however, rests with FERC. FERC adjudicates rules of conduct issues if the ISO cannot objectively determine either if an entity violated the Rules of Conduct or what the sanction should be. Entities also have the right to appeal ISO Rules of Conduct decisions to FERC.

The 2023-2025 Policy Initiatives Roadmap⁸, as presented to the ISO Board of Governors and the Western Energy Imbalance Market in May 2023, included “Rules of Conduct Changes to Address Metering Penalty Issues” as a topic. This initiative was included in the Policy Roadmap in response to stakeholder requests and subsequent FERC waiver requests that argued meter data penalties were disproportionately high for small, long-term meter data inaccuracies. After identifying additional potential enhancements to the Rules of Conduct, the ISO expanded the initiative’s scope and renamed it the “Rules of Conduct Enhancements” (ROCE) initiative. ROCE remained focused on the initiative’s original scope of addressing meter data penalty issues while PEDRIT focuses on addressing additional topics. Stakeholders provided two rounds of feedback, in response to the initiative workshop and in response to the Straw Proposal and subsequent meeting.

Stakeholder input received during the June 7, 2023 workshop and ten subsequent written stakeholder comments through June 20, 2023 inform the PEDRIT straw proposal. Stakeholder feedback is fundamental to good policy development, and the ISO thanks each stakeholder who shared their perspective in verbal and written comments. We look forward to continuing to engage with stakeholders through a transparent, respectful, and inclusive stakeholder process.

3. Initiative Scope and Schedule

PEDRIT addresses four scope items for potential Rules of Conduct penalty and process enhancements (Table 1). Additional topics may be added in response to stakeholder feedback or internal input. The

⁷ [Tariff § 37](#).

⁸ [Final 2023-2025 Policy Initiatives Roadmap](#)

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ISO plans to present the final PEDRIT proposal to the WEIM Governing Body and the ISO Board of Governors for approval on September 26, 2024 (Table 2).

Table 1: Rules of Conduct Enhancements – Summary of Topics

| Topics | Chapter: | PEDRIT Joint Board Decision: Sept 2024 | ROCE Joint Board Approval: Sept 2023 |
|--|----------|--|--------------------------------------|
| <p>Define submission requirements and penalty structure for DR monitoring data</p> <ul style="list-style-type: none"> Set submission requirement for DR monitoring data at T+52B, aligning with settlement quality meter data process. Data submitted between T+52B and T+214B would be penalized at \$1000 per trading day per SCID. Data missing past T+214B would be penalized an additional \$3000 per trading day per SCID. Penalties will apply per SCID, rather than per resource Penalties will be equivalent for missing one or multiple streams of DR monitoring data. | 4 | ✓ | |
| <p>Streamline Rules of Conduct investigative process</p> <ul style="list-style-type: none"> Two-letter process: Notice of Review, 30 day period for scheduling coordinator (SC) response, Results of Review including penalty description (if applicable). After Results of Review, stakeholders may appeal penalty case to FERC. Centralize correspondence with relevant SC, rather than market participant, to streamline correspondence and provide pathway for CIDI⁹ correspondence centralization. | 5 | ✓ | |
| <p>Update penalty tolling process</p> <ul style="list-style-type: none"> Provide penalized entities 30 days to appeal to FERC before penalty collection. Entities must provide evidence to the ISO of their filing via a FERC filing docket number. Bypass current process of upfront ISO penalty collection and then penalty return when an entity appeals to FERC | 6 | ✓ | |
| <p>Meter data penalties</p> <ul style="list-style-type: none"> Redesigned penalty for inaccurate meter data submissions: Lower of: (a) 30% of error value (min. interval locational marginal price of \$10); or (b) \$1,000/trading day. | | | ✓ |

⁹ The Customer Inquiry, Dispute and Information (CIDI) system is used to log and track market inquiries and settlement disputes. ([CIDI User Guide, Version 2.6](#))

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|--|--|--|---|
| <ul style="list-style-type: none"> Retain late meter data penalty (post T+52B) at \$1,000/trading day. Retain “missing” meter data penalty (post T+214B) at additional \$3,000/trading day. Establish that non-submittal of settlement quality meter data will be penalized only when a resource has a non-zero total expected energy value for a settlement interval. Extend T+44B (pre-deadline) internal automatic notice for missing meter data to applicable scheduling coordinators as a courtesy. | | | |
| <p>Clarify eligibility for penalty distribution</p> <ul style="list-style-type: none"> In addition to entities that have received a penalty, by default, entities that have received a penalty waiver or are exempt from penalties in a given year are ineligible for that year’s penalty distribution, unless FERC rules that no violation occurred. | | | ✓ |
| <p>Eliminate annual penalty distribution filing</p> <ul style="list-style-type: none"> Remove FERC approval requirement for distribution of Rules of Conduct proceeds. Post informational report on the ISO website. | | | ✓ |
| <p>Clarify application of market adjustment provision in the context of WEIM entities</p> <ul style="list-style-type: none"> The ISO will not apply a market adjustment if there are no additional scheduling coordinator IDs in a given utility distribution company area. | | | ✓ |

Table 2: Penalty Enhancements: Demand Response, Investigation, and Tolling – Initiative Schedule¹⁰

| Date | Milestone |
|--------------------|---|
| June 7, 2023 | Stakeholder workshop: scope and tracks |
| March 28, 2024 | Publish straw proposal |
| April 3, 2024 | Stakeholder meeting to discuss straw proposal |
| April 19, 2024 | Due date for stakeholder comments on straw proposal |
| May 16, 2024 | Revised straw proposal posted |
| May 23, 2024 | Stakeholder meeting to discuss revised straw proposal |
| June 6, 2024 | Due date for stakeholder comments on revised straw proposal |
| July 11, 2024 | Draft final proposal posted |
| July 25, 2024 | Stakeholder meeting to discuss draft final proposal |
| August 1, 2024 | Due date for stakeholder comments on draft final proposal |
| September 26, 2024 | ISO Board of Governors and WEIM Governing Body joint decision on PEDRIT |

¹⁰ This timeline is tentative. Milestone dates are not finalized until the ISO issues a market notice.

4. Define submission requirements and penalty structure for DR monitoring data (Sections 11.6.1 & 37.6.1)

Background and objectives

Demand response resources have two distinct information submission requirements. Under Section 11.6.1, demand response resources submit Demand Response Energy Measurements (DREM), which constitute settlement quality meter data (SQMD). Tariff Section 11.6.1 separately requires the submittal of customer load baseline (BASE), load data used for developing the customer load baseline (CBL), and treatment load data (TMNT) for “monitoring, compliance, and audit purposes [...]”¹¹

Under existing processes and Tariff Section 37.5, the current SQMD penalties for inaccurate and untimely submittal of DREM apply on a per-scheduling coordinator basis. For example, a single SC that submits late DREM for multiple resources for the same trade date would face a single \$1,000 penalty. Since customer load baseline data is not SQMD, late submission of customer load baseline data could be subject to penalties under the “catch all” Tariff Sections 37.6.1.1 and 37.6.1.2. These sections establish that failure to submit required information on time in accordance to tariff and BPM-specified timelines can be subject to a \$500/day penalty.¹² Importantly, late or missing monitoring data penalties would be applied per resource, per additional day late, and per data file.¹³ This “per resource” requirement could create excessive penalty exposure given the large number of demand resources that can participate through a single scheduling coordinator.

In 2022, the ISO submitted but later withdrew Proposed Revision Request (PRR) 1444¹⁴ to define when sanctions would be applicable for late/missing DR monitoring data submissions. PRR 1444 proposed a monitoring data submission deadline at T+52B, which would allow the ISO to penalize late submissions.

The ISO received comments from DR providers that current provisions would expose them to excessive and duplicate penalties per trade day. A single application failure could affect multiple monitoring data files over many resources, resulting in multiplying penalties. For example, one stakeholder indicated that with over 60 resources in their DR portfolio, late submission of two required monitoring data files

¹¹ Scheduling coordinators must submit the customer load baseline into the settlement quality meter data systems, as applicable. Additionally, SCs must submit actual underlying consumption or energy during all hourly intervals for the calendar days for which the meter data was collected to develop the customer load baseline pursuant to Section 4.13.4. ([Tariff § 11.6.1](#))

¹² CAISO tariff § 37.6.2.1 and 37.6.2.2 further delineate the sanctions for non-submission of information in accordance with established deadlines to support the investigation.

¹³ MRI-S Data Submittal Requirements for demand response are detailed in Appendix B of the BPM for Demand Response <https://bpmcm.aiso.com/Pages/BPMDetails.aspx?BPM=Demand%20Response> which identifies that submission of data to multiple measurement type data constitute Customer Load Baseline data requirements.

¹⁴ [PRR 1444](#)

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(CBL and BASE)¹⁵ would result in a \$60,000 penalty/day. Additionally, the penalty could accumulate rapidly if multiple days were needed to resolve the issue. Commenters also noted that while the \$1,000/trading day penalty for SQMD deters errors that require a full market resettlement, the customer load baseline data submitted for monitoring purposes is not used in settlements and has a different impact to the market if it is late or initially inaccurate.

Based on this stakeholder feedback, the ISO withdrew PRR 1444 to review the appropriate penalty structure for DR monitoring data. In PEDRIT, the ISO seeks stakeholder feedback on the following DR monitoring data submittal timeline and penalty design to deter non-compliance of DR monitoring data submission requirements, as called for in Section 11.6.1.

Track 1 proposal

Monitoring Data Submission Timeline

- Current Rule: The ISO requires DR monitoring data submission after a DR event.
- Proposed: The ISO requires DR monitoring data submission by T+52B after a DR event. The ISO will accept late DR monitoring data submission until T+214B, after which the data will be subject to an additional missing DR monitoring data penalty.

Monitoring Data Penalties

- Current Rule: Failure to submit required information in accordance to tariff and BPM-specified timelines is subject to a \$500/day/resource penalty.
- Proposed: Data submitted after T+52B would be penalized at \$1000 per trading day. Data missing past T+214B would be penalized an additional \$3000 per trading day. Penalties will accrue per SCID, rather than by Resource ID. Penalties will be equivalent for missing one or multiple streams of DR monitoring data. For example, if both BASE and TMNT data files are submitted late for one trade date, the penalty would be \$1000.
- Example: Scheduling Coordinator Z submits Base and TMNT data files for ten demand response resources on T+55B, three days after the T+52B submission deadline. The proposed penalty would be \$1000, since Scheduling Coordinator Z submitted late DR monitoring data for one trading day.

Stakeholder comments

Of the ten stakeholders who submitted written comments after the workshop, four stakeholders provided comments on defining submission requirements and penalty structure for DR monitoring data. Three stakeholders expressed support for and one stakeholder was not

¹⁵ Customer Baseline (CBL) measurement type is the underlying load data used in the customer load baseline calculation for all baseline methods. 90 days of historical data prior to the day of the event is required. Baseline (BASE) measurement type is the calculated customer load baseline (CLB) values used to derive the Demand Response Energy Measurement (DREM) submitted as a GEN measurement type as SQMD.

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opposed to the initial direction outlined. One stakeholder added a request that the ISO provide scheduling coordinators with the trade dates and resource IDs for resources triggering DR baseline data penalties. The ISO already provides the requested information to scheduling coordinators when resources do not submit DR monitoring data to the ISO by T+52B.

In response to the ROCE straw proposal, two stakeholders provided comments. One stakeholder expressed support and a desire for a cure period for corrected monitoring data following the T+52B suggested timeframe. Alternatively, the stakeholder suggested allowing DR resource scheduling coordinators to estimate any missing meter data to meet the deadline without being penalized for any inaccuracies. The ISO has addressed this concern by proposing changing the penalty from a “per day” to a “per trading day” accrual and limiting sanctions to non-submittal of DR monitoring data.

Another stakeholder requested clarification on why 90 days of historical data is required for monitoring purposes when as few as 14 days of data is needed to perform settlement quality meter data calculations. This stakeholder flagged that 90 days presents a challenge for new customers, who may not have 90 days of historical data but who have sufficient meter data to perform settlement calculations. This stakeholder requests reducing the requirement of historical days from 90 days to 45 days. The ISO seeks additional feedback from stakeholders on this topic.

5. Streamline Rules of Conduct investigative process (Section 37.8.3-37.8.7)

Background and objectives

The ISO employs a three-letter investigative process for potential Rules of Conduct violations. The ISO notifies the scheduling coordinator/market participant’s (SC/MP) pre-designated contact(s) of the event (Notice of Review), findings (Results of Review), and conclusions (Description of Penalty). The Notice of Review must be provided by the ISO to the SC/MP’s pre-designated contact(s) within 90 days of the ISO discovering a Rules of Conduct event. Though responses are optional, SCs have 30 days from the date of the notice to respond by opening a CIDI case. If the ISO receives a violation concession or no response within 30 days, the Results of Review letter is sent. Typically, the ISO will send the Results of Review within two weeks after concession or conclusion of the CIDI case. SCs have 30 days to respond to the Results of Review by opening a CIDI case. After concession or conclusion of the review, the Description of Penalty letter can be sent.

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PEDRIT proposal

Two-Notice Process

- Current Rule: The ISO employs the three-letter process described in the background section.
- Proposed Rule: The ISO employs a two-notice process. The ISO provides a Notice of Review to the SC within 90 days of the ISO discovering a potential Rules of Conduct event. SCs may respond with relevant information via CIDI. If the ISO receives a violation concession, receives no response within 30 days, or concludes the outstanding CIDI process, the Results of Review letter is sent including violation determination and penalty description, if applicable.
- The ISO proposes defining the SC as the investigative point-of-contact in order to prepare for future efforts to integrate the Rules of Conduct investigative process within CIDI.

Stakeholder comments

Of the ten stakeholders who submitted written comments after the workshop, five stakeholders provided comments regarding streamlining the Rules of Conduct investigative process. Two stakeholders expressed support for the direction and one stakeholder did not oppose consideration. Two stakeholders had concerns about the initial direction.

One stakeholder had concerns about ensuring that generator owners are able to manage investigations independently. Specifically, this stakeholder was concerned about maintaining generator owner independence, especially when changing scheduling coordinators during an investigation. Under this proposal, generator owners will continue to have the opportunity to open a CIDI ticket independent of the SC. If a generator owner changes SC during a Rules of Conduct investigation, the Rules of Conduct case remains assigned to the SC on the trade date of the potential violation.

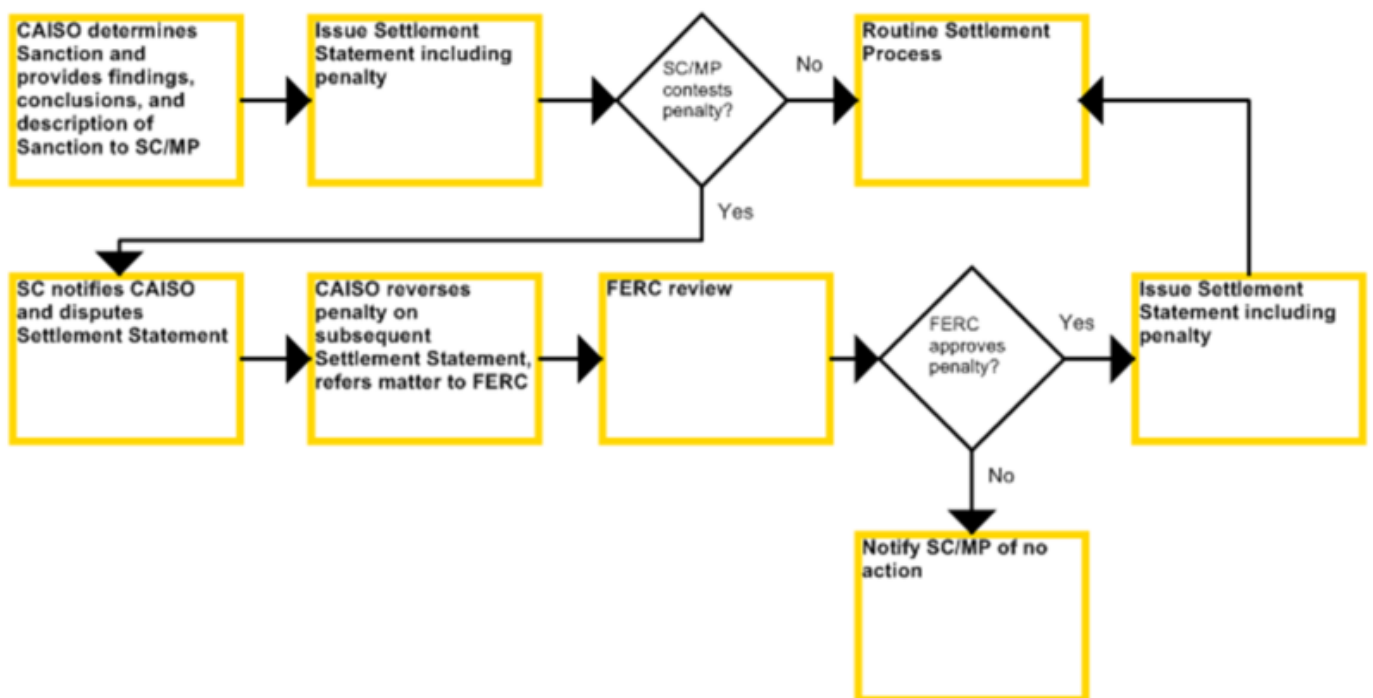
Another stakeholder did not support the original consideration of streamlining the investigative process by shifting elements to the Settlement Dispute process. This stakeholder felt the separate investigative process is necessary to provide an opportunity for SCs and resource owners to timely implement corrective actions to mitigate potential penalties related to Rules of Conduct violations, for example in regards to metering or telemetry issues. Additionally, by providing early, detailed information regarding the violation, the ISO would further support the SC or resource owner in taking timely, corrective action to remedy the issue and minimize the communication needed between the ISO and the SC or resource owner. The updated proposal keeps the Rules of Conduct investigative process independent from the Settlement Dispute process. The SC will continue to receive the Notice of Review within 90 days of ISO discovery of a potential Rules of Conduct event.

6. Update Penalty Tolling Process (Section 37.8.10)

Background

Exhibit 1 illustrates the ISO process after identifying a Rules of Conduct violation. Sanctions with financial penalties are subsequently invoiced through the ISO settlement process and timeline. After the ISO issues the settlement statement, the penalty may be contested at FERC. If the penalty is disputed with the ISO and the penalty is appealed to FERC by the dispute deadline,¹⁶ the ISO temporarily tolls the penalty settlement pending FERC's ruling on the appeal. Tolling includes returning any collected penalty money. The ISO must follow FERC's subsequent order.

Exhibit 1: ISO Administration after Rules of Conduct Violation



PEDRIT proposal

Remove initial penalty collection and reversal with FERC appeal:

- Current Rule: After sanction determination, the ISO collects the penalty via a settlement statement. If the penalty is disputed with the ISO and the penalty is appealed to FERC by the dispute deadline, the ISO returns the penalty collection until FERC's appeal ruling.
- Proposed Rule: SC/MP has 30 calendar days after the Results of Review to provide the ISO with a FERC docket number outlining their appeal. If no FERC appeal is provided, the ISO will include the penalty on a Settlement Statement.

¹⁶ Currently, the dispute deadline is the statement publication date plus 22 business days.

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Stakeholder comments

Of the ten stakeholders who submitted written comments after the workshop, three stakeholders provided comments regarding updating the penalty tolling process. Two stakeholders supported the ISO's direction, with one stakeholder requesting that this topic be addressed in ROCE Track 1. One stakeholder did not oppose consideration.

7. Inaccurate Meter Data Materiality Threshold or Waiver Discussion

Idaho Power expressed through direct communication that the ISO consider a materiality impact threshold for inaccurate meter data penalties. For example, if the meter data inaccuracy is below a certain percentage or MW value and submitted by T+214B, the ISO should not consider the inaccuracy as a tariff violation. This stakeholder believes the materiality impact threshold would support self-reporting, leading to more accurate data and improving market function. This entity also believes a materiality threshold will reduce administrative burden.

The City of Corona recommended through public comments after the June 7, 2023 workshop that the ISO reconsider allowing waivers if a first offense is self-reported and/or minor. The City believes the waivers would support self-reporting, which would lead to more accurate data, improving market function. In both situations, a market participant would be unlikely to be a "bad actor," and "minor" could be objectively defined in the stakeholder process.

DMM recommended through public comments after the June 7, 2023, workshop that the ISO maintain strict deadlines and financial penalties for not meeting the deadlines. This structure creates important incentives for market participants to perform the desired behavior by the deadline. Removing the penalty for a particular submission deadline could result in increased non-compliance of that deadline over time.

The ISO looks forward to broader stakeholder discussion and additional perspectives at the April 3 stakeholder meeting on the PEDRIT Straw Proposal.

8. Governance Classification: Joint Authority

This initiative proposes changes to the "Rules of Conduct" in the ISO tariff as they relate to demand response monitoring data penalty design and procedural elements. The ISO believes that the WEIM

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Governing Body has joint authority with the ISO Board of Governors over the proposed tariff rule changes.

The ISO Board of Governors and the WEIM Governing Body have joint authority over any:

proposal to change or establish a tariff rule applicable to the WEIM/EDAM Entity balancing authority areas, WEIM/EDAM Entities, or other market participants within the WEIM/EDAM Entity balancing authority areas, in their capacity as participants in the WEIM/EDAM. The WEIM/EDAM Governing Body will also have joint authority with the Board of Governors to approve or reject a proposal to change or establish any tariff rule for the day-ahead or real-time markets that directly establishes or changes the formation of any locational marginal price(s) for a product that is common to the overall WEIM or EDAM markets. The scope of this joint authority excludes, without limitation, any other proposals to change or establish tariff rule(s) applicable only to the CAISO balancing authority area or to the CAISO-controlled grid. Note: For the avoidance of any doubt, that the joint authority definition is not intended to cover balancing authority-specific measures, such as any parameters or constraints, the CAISO may use to ensure reliable operation within its balancing authority area.¹⁷

All of the tariff rule changes proposed in this initiative would be “applicable to the WEIM/EDAM Entity balancing authority areas, WEIM/EDAM Entities, or other market participants within the WEIM/EDAM Entity balancing authority areas, in their capacity as participants in the WEIM/EDAM.” None of the proposed tariff rules would be applicable “only to the CAISO balancing authority area or to the CAISO-controlled grid.” Accordingly, this initiative falls entirely within the scope of joint authority.

This proposed classification reflects the current state of this initiative and could change as the stakeholder process proceeds. Stakeholders are encouraged to submit a response to this proposed decisional classification in their written comments, particularly if they have concerns or questions.

9. Next Steps

The ISO will host a virtual stakeholder call on April 3, 2024, from 1:00pm to 3:00pm (PST) to discuss the Penalty Enhancements: Demand Response, Investigation, and Tolling Straw Proposal. Attendees may choose to participate virtually or provide written comments based off the meeting recording and straw proposal. Written comments on the straw proposal are due April 19, 2024.

¹⁷ Charter for EIM Governance § 2.2.1